

June 18, 2001

Via Email and U.S. Mail

Ross A. Buntrock
Kelley, Drye & Warren
1200 19th Street, N.W.
Suite 5000
Washington, D.C. 20036

Re: Requests for Adoption of Interconnection Agreement pursuant to Section 252(i) of the Telecom Act by XO Illinois, Inc., XO Ohio, Inc. XO Michigan, Inc.

Dear Ross:

The purpose of this letter is to provide XO Illinois, Inc., XO Michigan, Inc. and XO Ohio, Inc. (hereinafter globally referred to as "XO") a preliminary response to XO's May 31, 2001 requests for adoption of Interconnection Agreements for the States of Illinois, Michigan and Ohio.

Adoption Request for the State of Illinois

For the State of Illinois, XO requests to adopt the interconnection agreement between Ameritech and Focal Communications Corporation of Illinois ("Focal Agreement") in the state of Illinois and several amendments as addressed below. Ameritech Illinois has undertaken a preliminary review of XO's request and concluded that XO may adopt the Focal Agreement. However, by operation of law, XO may not opt into the terms and provisions for ISP compensation in the Focal Agreement because the recent FCC order ruled that such ISP compensation provisions are outside the permissible scope of Section 252(i) as of April 18, 2001. See FCC's Order on Remand and Report and Order, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Intercarrier Compensation for ISP-Bound Traffic, CC Docket Nos. 96-98 and 99-68 (rel. April 27, 2001, adopted April 18, 2001, published May 15, 2001)("ISP-Remand Order").

Ameritech Illinois contends that the rates, terms and conditions for ISP traffic are legitimately related to all other rates, terms and conditions for all intercarrier compensation under the Focal Agreement, especially since the physical routing, recording of minutes of use, billing and

payment terms of the Agreement now apply to ISP traffic as well as to other categories of intercarrier traffic. For these reasons, Ameritech Illinois proposes that the parties negotiate in its entirety the section of the underlying Focal Agreement covering intercarrier compensation. Ameritech Illinois will forward proposed terms and conditions to XO shortly.

Ameritech Illinois further reserves its rights to invoke at any time in the future the intervening law or change of law provisions and to adopt on a date specified by Ameritech Illinois the FCC ISP terminating compensation plan, after which date ISP-bound traffic will be subject to the FCC's prescribed terminating compensation rates, and other terms and conditions.

XO further requests the Focal Agreement to include the following amendments: (i) XO's existing and approved xDSL amendment; (ii) XO's existing and approved SBC/Ameritech UNE amendment; (iii) XO's existing and approved SBC/Ameritech FCC Merger Conditions amendment. XO's current interconnection agreement for the state of Illinois has expired. Ameritech Illinois has no obligation to "carry forward" any of the expired amendments. However, Ameritech Illinois is currently conducting a review of such amendments and will complete such review shortly to determine whether Ameritech Illinois is willing to voluntarily agree to the addition of such Amendments to XO's MFN into the Focal Agreement.

XO also wishes to include the SBC/Ameritech 13-State Directory Assistance Appendix, and SBC/Ameritech Physical and Virtual Collocation Appendices "compliant with the FCC's existing and effective collocation rules and orders". SBC is amenable to the addition of its 13-State generic Directory Assistance and Physical and Virtual Collocation Appendices to XO's MFN into the Focal Agreement.

Additionally, XO requests current Illinois pricing appendices, an amendment incorporating performance measures adopted by the ICC and language effectuating the ICC's decisions governing facilities modification and special construction. Regarding prices, it is Ameritech Illinois' position that by adopting the Focal agreement, XO will have to take the prices in the Focal Agreement with the exception of DSL, UNE, Directory Assistance and Collocation, to the extent those appendices are added to or substituted in the Focal Agreement. The prices in the Focal Agreement are legitimately related to whatever UNEs, interconnection or service arrangements they apply to in the Focal Agreement and cannot be separated. With regard to performance measures, the SBC 13-state performance measures appendix incorporates the performance measures adopted by the ICC and may be added to the Focal Agreement. Last, to date Ameritech Illinois has not developed standard language for facilities modification and special construction in the State of Illinois. To the extent such language exists in another carrier's agreement, XO would have to adopt such provisions from another carrier's agreement.

Adoption Request for the State of Michigan

In Michigan, XO requests to adopt the Focal Agreement for the state of Illinois. The only mechanism under which XO is entitled to port terms from one SBC/Ameritech in-region state to another is under Paragraph 43 of the SBC/Ameritech Merger Conditions. Pursuant to Paragraph 43, XO may adopt "interconnection arrangements" and/or "UNEs" voluntarily negotiated and

included in an agreement by an SBC/Ameritech incumbent LEC that at all times during the interconnection agreement negotiations was an affiliate of SBC. In addition, the FCC placed the following conditions on our obligation to make such UNEs and interconnection arrangements available in other states: (1) any ported interconnection arrangements or UNEs are not available beyond the last date they are available in the underlying agreement; (2) the requesting carrier must accept all reasonably related terms and conditions; (3) state-specific pricing is not portable; provided, however, pending negotiation, arbitration or cost proceedings regarding state-specific pricing, SBC/Ameritech must offer to enter into an agreement under which the requesting carrier will pay, on an interim basis, subject to true-up, the same prices established for the interconnection arrangement or UNE in the negotiated agreement; (4) terms and pricing in tariffs cited in SBC/Ameritech's ICAs are not portable; (5) SBC/Ameritech is under no obligation to make available arbitrated terms or terms that result from negotiations with a state commission or carrier outside the negotiation procedures of Section 252(a)(1) of the Act (e.g., the T2A); (6) SBC/Ameritech is under no obligation to provide any interconnection arrangement or UNE unless it is technically feasible in, and is consistent with the laws and regulatory requirements of, the state for which the request is made; and (7) qualifying interconnection arrangements or UNEs are subject to the same rules that would apply to a request under Section 252(i) of the Act.

Although Focal's Illinois Interconnection Agreement with Ameritech Illinois was entered into following Ameritech's merger with SBC, there were various terms and conditions in such Agreement that were arbitrated. XO is only entitled to port the voluntarily negotiated UNE and Interconnection arrangement provisions in Focal's Illinois Agreement with Ameritech Illinois into Michigan, subject to the same rules that would apply to a request under Section 252(i) of the Act and the limitations set forth in Paragraph 43 of the Merger Conditions (e.g., arbitrated results may not be ported).

Based upon the information set forth above, please let us know how you would like to proceed in Michigan. If, in fact, you wish to port the UNEs and interconnection arrangements contained in Focal's Illinois Agreement into Michigan, subject to the conditions set forth above, Ameritech Michigan will conduct a comprehensive review of the Illinois Focal Agreement in order to determine which provisions may be ported into Michigan. If XO wishes Ameritech Michigan to commence its review of the Illinois Focal Agreement, such review will take approximately three weeks. Please note that it then may be necessary for the Parties to negotiate additional rates, terms and conditions in order to form a comprehensive Interconnection Agreement for use in Michigan.

With respect to reciprocal compensation, XO acknowledged in its June 15, 2001 letter that reciprocal compensation provisions in the Focal Agreement are not portable because they resulted from an arbitration. In light of this and for the reasons stated above, the parties will have to renegotiate the entire reciprocal compensation section of the Focal Agreement. Regarding the DSL and UNE appendices that XO wishes to carry forward from its current Illinois agreement and the SBC 13-STATE generic Directory Assistance and Collocation Appendices XO wishes to add to its Michigan Agreement, the pricing that would apply to such appendices would be the applicable state-specific pricing contained in SBC's 13-STATE Generic Interconnection Agreement in for Michigan.

XO further requested that its Michigan agreement include XO's existing and approved xDSL amendment, XO's existing and approved SBC/Ameritech UNE amendments and XO's existing and approved SBC/Ameritech FCC Merger Conditions amendment. XO's interconnection agreement for the state of Michigan has expired and Ameritech Michigan has no obligation to "carry forward" such amendment. As set forth above, however, Ameritech Michigan will evaluate whether such amendments may be added to the interconnection arrangements and UNEs.

Additionally, XO wishes to add the SBC/Ameritech 13-State Directory Assistance Appendix and SBC/Ameritech Physical and Virtual Collocation Appendices compliant with the FCC's and Michigan Public Service Commission's ("MPSC") existing and effective collocation rules and orders. With respect to these appendices, the statements made above for the Illinois agreement are applicable.

Last, XO requests language effectuating the MPSC's decisions governing facilities modification and special construction. In light of the fact that Ameritech Michigan has not developed any standard language addressing facilities modification or special construction, XO would have to adopt provisions contained in another carriers interconnection agreement to the extent such provisions exist.

Adoption Request for the State of Ohio

XO wishes to adopt the Illinois Focal Agreement in the State of Ohio pursuant to the special merger conditions in the Public Utilities Commission of Ohio's Opinion and Order in Case No. 98-1082-TP-AMT ("Ohio Merger Order"). Ameritech Ohio agrees to "port" the Focal Agreement with the exception of certain terms and conditions which may not be ported under the Ohio-specific Merger Order. Specifically, it is Ameritech Ohio's position that it is not obligated to make available under such Merger Order any terms imposed upon SBC/Ameritech in arbitration, any terms that we demonstrate should not be offered in Ohio due to technical, legal or state-specific issues, and rates/prices from another state. Ameritech Ohio will have to review the Illinois Focal Agreement for any provisions which may not be ported under the Ohio Merger Order. In those states, it will be necessary for the parties to negotiate additional rates, terms and conditions in order to form a comprehensive Interconnection Agreement for use in Ohio. The provisions that will need to be renegotiated include the reciprocal compensation provisions for the reasons set forth above.

XO also requests the agreement to include XO's existing and approved xDSL amendment in the state of Ohio, its existing and approved SBC/Ameritech UNE amendment as well as its existing and approved SBC/Ameritech FCC Merger Conditions amendment. Additionally, XO wishes to add the SBC/Ameritech generic 13-State Directory Assistance and Physical and Virtual Collocation Appendices to its Ohio Agreement. With respect to the DSL, UNE and Merger Conditions amendments, Ameritech Ohio will conduct a similar review as described above for the states of Illinois and Michigan to determine if it is willing to voluntarily agree to add such appendices to XO's partial MFN in Ohio. SBC is amenable to XO's request to add SBC's generic 13-state Directory Assistance and and Collocation Appendices to its Ohio Agreement. [Finally, with respect to pricing, it is Ameritech Ohio's position based upon XO's current proposal that the Ohio-specific rates contained in its 13-State Generic Interconnection

Agreement will apply to all of the rates, terms and conditions contained in XO's Ohio Agreement.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Nicola Erbe